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07 JUN 19 PM 1:59  
RICHARD W. WIEKING  
CLERK, U.S. DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

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E-filing

14 Attorneys for Plaintiffs  
15 CANTER & ASSOCIATES, LLC., and  
16 LAUREATE EDUCATION, INC.

17 UNITED STATES DISTRICT COURT  
18 NORTHERN DISTRICT OF CALIFORNIA

19 CANTER & ASSOCIATES, LLC, and  
20 LAUREATE EDUCATION, INC.,

21 Plaintiffs,

22 v.

23 TEACHSCAPE, INC.,

24 Defendant.

Case No.

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RS

PLAINTIFFS CANTER &  
ASSOCIATES, LLC'S AND  
LAUREATE EDUCATION, INC.'S  
DISCLOSURE STATEMENT

1 Pursuant to Federal Rule of Civil Procedure 7.1, Plaintiff Canter & Associates, LLC  
2 is a wholly owned subsidiary of Plaintiff Laureate Education, Inc.; and Plaintiff Laureate  
3 Education, Inc. is a publicly traded company without any individual or entity owning 10%  
4 or greater.

5 Dated: June 18, 2007

Respectfully submitted,

HELLER EHRMAN LLP

7  
8 By Tracy S. Todd  
TRACY S. TODD

9 Attorneys for Plaintiffs  
10 CANTER AND ASSOCIATES, LLC and  
11 LAUREATE EDUCATION, INC.  
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1 obtain such materials was through a pretext, which Laureate deemed inappropriate.  
 2 Laureate therefore has repeatedly requested that Teachscape provide to Plaintiffs, pursuant  
 3 to a confidentiality agreement if necessary, copies of its materials, including all drafts and  
 4 final product, to be used in its education master's degree programs and graduate courses for  
 5 teachers. The purpose of the request was to allow Plaintiffs to evaluate whether there has  
 6 been an infringement of Laureate's copyrighted materials. Teachscape has consistently  
 7 refused to provide any drafts, or to provide any final course materials upon reasonable  
 8 terms. Instead, Teachscape has repeatedly insisted upon unreasonable conditions to such a  
 9 review.

10 27. Accordingly, and particularly in light of the false advertising, trade secret  
 11 misappropriation, and other torts of Teachscape, Laureate has conducted a reasonable  
 12 pre-filing inquiry into the similarity of Teachscape's materials to its own copyrighted  
 13 works. Counsel for Laureate attempted to negotiate with counsel for Teachscape to obtain  
 14 copies and drafts of the various course materials. Teachscape provided only vague and  
 15 limited responses that conditioned any consideration of an exchange of materials upon  
 16 Laureate meeting such unreasonable and unnecessary demands, that it was tantamount to a  
 17 refusal to provide reasonable access to the materials. Laureate has therefore met its duty of  
 18 reasonable inquiry imposed by Federal Rule of Civil Procedure 11. *See Hoffman-LaRoche*  
 19 *Inc. v Invamed Inc.*, 213 F.3d 1359 (Fed. Cir. 2000); *Intamin, Ltd. v. Magnetar Techs.*  
 20 *Corp.*, No. 05-1546, -1579 (Fed. Cir. Apr. 18, 2007).

### 21 **FIRST CLAIM FOR RELIEF**

22 **(By Canter Against Teachscape For Misappropriation Of Trade Secrets**  
 23 **In Violation Of California Civil Code §§ 3426 *et seq.*)**

24 28. Paragraphs 1 through 27 above are hereby incorporated by reference.

25 29. Canter was in possession of trade secrets which consisted of, among other  
 26 things, a proprietary methodology for identifying appropriate markets for its products,  
 27 information regarding market segmentation, design of distance learning degree programs  
 28 and methods for their accreditation, enrollment systems, and specific customer contacts and

1 preferences. All of these trade secrets provided Canter with both short- and long-term  
2 advantages in the marketplace and were of substantial economic value to Canter.

3 30. Canter took great efforts to protect these valuable trade secrets, including but  
4 not limited to requiring employees to sign agreements not to disclose Canter's confidential  
5 information without express permission.

6 31. Canter's Former Employees had access to these trade secrets solely as a result  
7 of their employment with Canter.

8 32. During its engagement of Canter's Former Employees, Teachscape  
9 misappropriated the above-described trade secrets of Plaintiff by taking Canter's proprietary  
10 knowledge about lucrative markets and using that knowledge without permission to market  
11 Teachscape's competing services to Canter's current educational partners.

12 33. As a proximate result of the above-described misappropriations, Teachscape  
13 was, and is being, unjustly enriched at the expense of Canter.

14 34. As a direct and proximate result of Teachscape's misappropriation of Canter's  
15 trade secrets, Canter has suffered irreparable harm and will continue to suffer irreparable  
16 injury that cannot be adequately remedied at law. Accordingly, Plaintiffs pray that  
17 Teachscape, and its officers, agents, and employees, and all persons acting in concert with  
18 it, be enjoined from engaging in any further such conduct.

19 35. Teachscape knew that its conduct would directly affect and impinge upon  
20 Canter and its business, reduce its profits, and that it was certain that Canter would suffer  
21 harm. Teachscape knew that Canter would rely upon Canter's Former Employees'  
22 purported loyalty and confidentiality agreements not to misuse the confidential, proprietary  
23 information of Canter, and knew that it was in the best position to know the consequences  
24 of its intended actions, and knew that injuries would likely be suffered by Canter.  
25 Notwithstanding this knowledge, Teachscape, in willful and conscious disregard of the  
26 rights of Canter, repeatedly and intentionally misappropriated and misused Canter's  
27 confidential, trade secret information to cause Canter harm and to advance Teachscape's  
28 own pecuniary and other interests.

1           36.    Teachscape's acts and omissions were so willful and malicious, and in such  
2 reckless and conscious disregard of the rights of Canter so as to justify the award of  
3 exemplary and punitive damages against Teachscape pursuant to California Civil Code  
4 § 3426.3, in an amount to be determined at trial, but sufficient to punish such actions and to  
5 deter such actions by Teachscape in the future.

6           37.    Teachscape's acts and omissions were so willful and malicious, and in such  
7 reckless and conscious disregard of the rights of Canter so as to justify the award of  
8 Canter's reasonable attorneys' fees, pursuant to California Civil Code § 3426.4.

9  
10                               **SECOND CLAIM FOR RELIEF**

11                               **(By Canter Against Teachscape For Intentional Interference  
12 With Prospective Economic Relationship In Violation Of California Law)**

13           38.    Paragraphs 1 through 27 above are hereby incorporated by reference.

14           39.    Canter maintains client relationships and other economic relationships,  
15 including prospective client relationships, with a number of educational institutions. These  
16 relationships hold the probability of future economic benefit to Canter.

17           40.    Teachscape knew or had reason to know of Canter's relationships with its  
18 partners.

19           41.    Teachscape used Canter's confidential information about its relationships with  
20 its business partners to gain an unlawful competitive advantage, and to induce at least one  
21 of Canter's existing partners to reject a Canter program and to replace it with a substantially  
22 similar program offered by Teachscape.

23           42.    These acts were intentional and wrongful, and designed to disrupt Canter's  
24 relationship with its clients and prospective clients.

25           43.    Canter's economic relationship with such clients and prospective clients were  
26 actually disrupted as a result of Teachscape's wrongful acts.

27           44.    As a direct and proximate result of Teachscape's intentional, wrongful, and  
28 unjustified conduct, Canter's business prospects and relationships with clients have been

1 damaged. Canter has accordingly suffered and will continue to suffer damages directly and  
2 proximately caused by Teachscape's conduct in an amount to be proven at trial.

3 45. As a direct and proximate result of Teachscape's interference with Canter's  
4 prospective business, Canter has suffered irreparable harm and will continue to suffer  
5 irreparable injury that cannot be adequately remedied at law. Accordingly, Canter prays  
6 that Teachscape, and its officers, agents and employees, and all persons acting in concert  
7 with it, be enjoined from engaging in any further such conduct.

8 46. Teachscape's actions as described above comprise a series of intentional  
9 breaches of Canter's confidences with the intention on the part of Teachscape of thereby  
10 depriving Canter of property or legal rights or otherwise causing injury to Canter.  
11 Teachscape's conduct as described above was despicable conduct that subjected Canter to  
12 cruel and unjust hardship, and that was carried out by Teachscape with a willful and  
13 conscious disregard of the rights of Canter, notwithstanding Teachscape's knowledge of its  
14 intended actions and the damages that would be suffered by Canter as a result of the  
15 conduct of Teachscape.

16 47. Teachscape knew that its conduct would directly affect and impinge upon  
17 Canter and its business, reduce its profits, and that it was certain that Canter would suffer  
18 harm. Teachscape knew that Canter would rely upon Canter's Former Employees'  
19 purported loyalty and agreement not to misuse the confidential, proprietary information of  
20 Canter, and knew that Teachscape itself was in the best position to know the consequences  
21 of its intended actions, and knew that injuries would likely be suffered by Canter.  
22 Notwithstanding this knowledge, Teachscape, in willful and conscious disregard of the  
23 rights of Canter, repeatedly and intentionally misappropriated and misused Canter's  
24 confidential, trade secret information to cause Canter harm and to advance Teachscape's  
25 own pecuniary and other interests.

26 48. Teachscape's acts and omissions were so willful and malicious, and in such  
27 reckless and conscious disregard of the rights of Canter so as to justify the award of  
28 exemplary and punitive damages against Teachscape pursuant to California Civil Code

1 § 3426.3, in an amount to be determined at trial, but sufficient to punish such actions and to  
2 deter such actions by Teachscape in the future.

3 49. Teachscape's acts and omissions were so willful and malicious, and in such  
4 reckless and conscious disregard of the rights of Canter so as to justify the award of  
5 Canter's reasonable attorneys' fees, pursuant to California Civil Code § 3426.4.

6  
7 **THIRD CLAIM FOR RELIEF**

8 **(By Canter Against Teachscape For Intentional Interference  
With Contract In Violation Of California Law)**

9 50. Paragraphs 1 through 27 above are hereby incorporated by reference.

10 51. Canter and Marygrove had entered into a contract for provision of the CIA  
11 degree. This contract guaranteed Canter the right of first refusal if Marygrove decided to  
12 offer additional degree programs, which would include Math and Reading programs. In or  
13 about 2005, Marygrove and Canter were in fact exploring the possibility of offering a  
14 Reading degree program. Marygrove abruptly withdrew from those negotiations.  
15 Subsequently, Canter learned that Teachscape would be offering this degree in partnership  
16 with Marygrove.

17 52. Teachscape knew of these valid contracts between Canter and Marygrove, and  
18 was in possession of confidential information about the terms of these contracts by virtue of  
19 the Canter's Former Employees' employment with Canter.

20 53. Teachscape used Canter's confidential information in order to disrupt the  
21 contractual relationship between Canter and Marygrove, by inducing Marygrove to attach  
22 unacceptable conditions to any offer for Canter to partner with Marygrove in the offering of  
23 Math and Reading degree programs.

24 54. Canter and Marygrove had entered into a contract for provision of CIA  
25 degrees.

26 55. Canter was informed that Marygrove would offer a CIA degree, offered by  
27 Teachscape, starting in January of 2007.



1        56. The CIA degree offered by Marygrove was described as “updated” in  
2 Marygrove’s published materials and on its website, and Canter is informed and believes  
3 that Teachscope’s degree essentially copies the program offered by Canter.

4        57. Canter questioned Marygrove about the “updated” CIA degree program, and  
5 was informed that it knew nothing about the CIA degree being marketed by Teachscope.

6        58. Canter questioned Teachscope about the CIA degree program it was  
7 apparently offering through Marygrove, and was told that it was unaware that such offering  
8 would violate the terms of any contract between Marygrove and Canter.

9        59. These misrepresentations and falsehoods, perpetrated by Marygrove and  
10 Teachscope, have damaged Canter.

11        60. Upon information and belief, Marygrove does not intend to renew its contract  
12 for the provision of the CIA degree with Canter.

13        61. Teachscope’s interference with a contractual relationship has damaged Canter  
14 in an amount to be proven at trial.

15        62. Teachscope’s acts and omissions were so willful and malicious, and in such  
16 reckless and conscious disregard of the rights of Canter so as to justify the award of  
17 exemplary and punitive damages against Teachscope pursuant to California Civil Code  
18 § 3426.3, in an amount to be determined at trial, but sufficient to punish such actions and to  
19 deter such actions by Teachscope in the future.

20        63. Teachscope’s acts and omissions were so willful and malicious, and in such  
21 reckless and conscious disregard of the rights of Canter so as to justify the award of  
22 Canter’s reasonable attorneys’ fees, pursuant to California Civil Code § 3426.4.

23  
24                    **FOURTH CLAIM FOR RELIEF**

25                    **(By Canter Against Teachscope For Untrue or Misleading Advertising  
26 In Violation Of California Business & Professions Code §§ 17500 *et seq.*)**

27        64. Paragraphs 1 through 27 above are hereby incorporated by reference.

28        65. The acts described above constitute untrue or misleading advertising by  
Teachscope in violation of California Business & Professions Code §§ 17500 *et seq.*



Specifically, beginning on or about September 2006, Teachscape engaged in advertising to the public its offering of “updated” courses through Marygrove. Thereafter and through the present, Teachscape has described its new relationship with Marygrove in an untrue or misleading way for the purpose of misleading the public to believe that it has a long and successful track record in offering these programs through Marygrove, when in fact it does not.

66. By marketing the programs as “updated” and by implying a long-term successful partnership with Marygrove, Teachscape’s advertising was untrue and misleading and likely to deceive the public in that it states that Teachscape’s courses were updated courses previously offered at Marygrove. Upon information and belief, Teachscape’s false and misleading advertising aroused suspicions that Teachscape was actually using Canter’s intellectual property and/or leveraging off its brand name. Upon information and belief, Teachscape’s false and misleading advertising caused actual confusion to prospective and current Marygrove students.

67. In making and disseminating the statements herein alleged, Teachscape knew, or by exercise of reasonable care should have known, that the statements were untrue or misleading and so acted in violation of California Business & Professions Code §§ 17500 *et seq.*

68. Canter is entitled to restitution for the benefits improperly garnered by Teachscape as a direct and proximate result of its acts of untrue or misleading advertising.

### **FIFTH CLAIM FOR RELIEF**

**(By Laureate And Canter Against Teachscape For Unfair Competition  
In Violation Of California Business & Professions Code §§ 17200 *et seq.*)**

69. Paragraphs 1 through 27 above are hereby incorporated by reference.

70. The acts described above constitute unfair competition by Teachscape in violation of California Business & Professions Code §§ 17200 *et seq.* Specifically, Teachscape’s actions constitute efforts to misappropriate and misuse Canter’s confidential

1 and proprietary information in furtherance of Teachscape's efforts to develop a competing  
2 business.

3 71. Furthermore, Teachscape's advertising, as alleged above, constitutes unfair  
4 competition in violation of California Business & Professions Code §§ 17200 *et seq.*

5 72. Teachscape has engaged in and continues to engage in unlawful, fraudulent  
6 and unfair business practices. Teachscape's business practices as set forth above constitute  
7 unfair competition within the meaning of Business & Professions Code §§ 17200 *et seq.* In  
8 addition, these practices are immoral and unscrupulous and have been undertaken in  
9 violation of policies established in the California Civil Code and California Labor Code.  
10 Further, Teachscape's business practices serve no legitimate business purpose, and if any  
11 purpose were found, the benefit to any alleged legitimate business interests of Teachscape is  
12 far outweighed by the substantial harm to Plaintiffs that has resulted from the practices.

13 73. Plaintiffs are entitled to restitution for the benefits improperly garnered by  
14 Teachscape as a direct and proximate result of its acts of unfair competition.

15 74. As a direct and proximate result of Teachscape's unfair conduct described  
16 above, Plaintiffs have suffered irreparable harm, and will continue to suffer irreparable  
17 injury that cannot be adequately remedied at law. Accordingly, Plaintiffs pray that  
18 Teachscape be enjoined from engaging in any further such acts of unfair competition, and  
19 that Teachscape be ordered to disgorge all ill-gotten profits to Plaintiffs and make  
20 restitution to Plaintiffs.

### 21 SIXTH CLAIM FOR RELIEF

22 (By Canter Against Teachscape For False Or Misleading Advertising  
23 Pursuant To The Lanham Act § 43(a), 15 U.S.C. § 1125(a) )

24 75. Paragraphs 1 through 27 above are hereby incorporated by reference.

25 76. Teachscape's advertising of the CIA degree courses was false and misleading  
26 in that they characterized as "updated" courses which had never previously been offered by  
27 Marygrove.

1        77. The false and misleading advertising occurred in interstate commerce in  
2 connection with the commercial advertising of services offered by Teachscape and Canter.

3        78. Teachscape's description of the degree offerings was likely to and in fact did  
4 mislead the public regarding the courses offered, through Marygrove, by Canter.

5        79. Canter has been damaged by the false and misleading advertisements  
6 disseminated by Teachscape, as alleged above.

7        80. In making and disseminating the statements herein alleged, Teachscape knew,  
8 or by exercise of reasonable care should have known, that the statements were untrue or  
9 misleading and so acted in violation of the Lanham Act § 43(a), 15 U.S.C. § 1125(a).

10       81. Canter has been directly and proximately damaged by Teachscape's actions.

11       82. Canter is entitled to damages in an amount to be proven at trial.

12  
13                                    **SEVENTH CLAIM FOR RELIEF**

14                    **(By Laureate Against Teachscape For Copyright Infringement  
15                    Pursuant To The Copyright Act, 17 U.S.C. §§ 501 *et seq.*)**

16       83. Paragraphs 1 through 27 above are hereby incorporated by reference.

17       84. Laureate is informed and believes and thereon alleges that, at least as of  
18 January 2007, Teachscape has deliberately and willfully infringed Laureate's copyrights in  
19 the AudioVisual and Online Course Materials by making copies and derivative works  
therefrom.

20       85. Due to Teachscape's refusal to provide access to the materials at issue despite  
21 demand, combined with other acts alleged herein, Laureate has a reasonable basis to infer  
22 that Teachscape is deliberately and willfully infringing on Laureate's registered copyrights,  
23 pursuant to the Copyright Act, 17 U.S.C. §§ 101 *et seq.*

24       86. The acts of Teachscape infringe, and will continue to infringe, Laureate's  
25 copyrights in and relating to the AudioVisual and Online Course Materials.

26       87. Teachscape's conduct has deprived, and continues to deprive, Laureate of the  
27 benefits of licensing the AudioVisual and Online Course Materials. Teachscape has further  
28

1 been unjustly enriched by its copying and use of the AudioVisual and Online Course  
2 Materials, and works derived therefrom in its business.

3 88. By reason of Teachscape's acts alleged herein, Laureate has suffered damage  
4 in an amount to be proved at trial.

5 89. Teachscape threatens to continue to do the acts complained of herein, and  
6 unless restrained and enjoined will continue to do so, all to Laureate's irreparable damage.  
7 Laureate does not have an adequate remedy at law to compensate it for injuries threatened.  
8 Laureate is therefore entitled to an injunction restraining Teachscape, its officers, agents and  
9 employees, and all persons acting in concert with it, from engaging in further acts in  
10 violation of copyright law.

11 90. Laureate is informed and believes and thereon alleges that Teachscape's  
12 infringement of Laureate's copyrights was and is willful and deliberate, entitling Laureate  
13 to recover enhanced damages and its attorneys' fees.

14 **PRAYER FOR RELIEF**

15 91. WHEREFORE, Plaintiffs pray as follows:

16 A. For a preliminary and permanent injunction prohibiting Teachscape  
17 from directly or indirectly using, selling, offering to sell, licensing, offering to license,  
18 disclosing or distributing in any manner Plaintiffs' confidential, proprietary information and  
19 trade secrets, or making any derivative works therefrom;

20 B. For a preliminary and permanent injunction prohibiting Teachscape  
21 from wrongfully interfering with Plaintiffs' business relations;

22 C. For injunctive relief prohibiting Teachscape from continuing to engage  
23 in the unlawful conduct alleged herein;

24 D. For a preliminary and permanent injunction prohibiting Teachscape  
25 and all persons or entities acting in concert with it, from infringing Laureate's copyrights,  
26 including reproducing or distributing materials which infringe Laureate's copyrights in the  
27 AudioVisual and Online Materials, and making derivative works thereof;

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1 E. For entry of relief immediately impounding all copyright infringing  
2 articles in Teachscape's possession;

3 F. For general and special damages according to proof at trial;

4 G. For disgorgement of all profits;

5 H. For restitution of ill-gotten gains;

6 I. For a finding that the copyright infringement by Teachscape was  
7 willful, and for an additional award for its willful infringement;

8 J. For an award to Plaintiffs of their actual damages and additional profits  
9 of the infringer, or statutory damages resulting from Teachscape's copyright infringement;

10 H. For exemplary and punitive damages;


11 I. For attorneys' fees and costs of suit incurred as a result of this lawsuit;  
12 and

13 J. Award of such other, further, and different relief as the Court deems  
14 proper under the circumstances.

15 Dated: June 19, 2007

Respectfully submitted,

16 HELLER EHRMAN LLP

17 By   
18 TRACY S. TODD

19 Attorneys for Plaintiffs  
20 CANTER AND ASSOCIATES, LLC and  
21 LAUREATE EDUCATION, INC.  
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**DEMAND FOR JURY TRIAL**

In accordance with Federal Rule of Civil Procedure 38(b), Plaintiffs Canter & Associates, LLC and Laureate Education, Inc. demand a trial by jury on all issues triable by a jury.

Dated: June 19, 2007

Respectfully submitted,

HELLER EHRMAN LLP

By Tracy S. Todd  
TRACY S. TODD

Attorneys for Plaintiffs  
CANTER AND ASSOCIATES, LLC and  
LAUREATE EDUCATION, INC.

**CERTIFICATE OF INTERESTED ENTITIES OR PERSONS**

In accordance with Civil Local Rule 3-16, the undersigned certifies that the following listed persons, associations of persons, firms, partnerships, corporations (including parent corporations) or other entities (i) have a financial interest in the subject matter in controversy or in a party to the proceeding, or (ii) have a non-financial interest in that subject matter or in a party that could be substantially affected by the outcome of this proceeding:

Plaintiff Canter & Associates, LLC is a wholly owned subsidiary of Plaintiff Laureate Education, Inc.; and Plaintiff Laureate Education, Inc. is a publicly traded company without any individual or entity owning 10% or greater.

Dated: June 19, 2007

Respectfully submitted,

HELLER EHRMAN LLP

By Tracy S. Todd  
TRACY S. TODD

Attorneys for Plaintiffs  
CANTER AND ASSOCIATES, LLC and  
LAUREATE EDUCATION, INC.